

Office of the Illinois State Treasurer
Alexi Giannoulas

Request for Proposals for Securities Lending Services
(Custodial and Non-Custodial)

August 8, 2007

I. Introduction

The Office of the Illinois State Treasurer (“Treasurer”) intends to implement an agency securities lending program for various asset pools under its control. The Treasurer is authorized to lend securities pursuant to 15 ILCS 520/22.5. The Treasurer does not currently engage in securities lending. The purpose of the RFP is to identify and evaluate the range of prospective vendor capabilities in order to evaluate the economic feasibility to enter into a contract with a vendor to provide securities lending services for the State Treasurer of Illinois. This includes custodial and non-custodial (“third-party”) securities lending providers.

The Treasurer may contract with one or more vendors. We are seeking to contract for a period of three years, after which time the Treasurer will evaluate whether to expand the size and scope of the program. Upon expiration of this term, the Treasurer, in his discretion, may elect to extend the relationship for a period of time with terms agreed upon by the parties, consistent with Procurement Regulations. The program will involve the portfolio attached hereto designated as Exhibit 1.

The selected Bidder(s) must be able to lend securities in a custodial or non custodial capacity. The Treasurer is not undertaking a search for a new custodian at this time. Bidders will be expected to demonstrate how their program meets the investment objectives of the Treasurer while at all times remaining in compliance with all applicable state and federal statutes, laws, regulations, the Treasurer’s Investment Policy and operating requirements.

Objective

The objective of a successful securities lending program is to earn incremental income above that already generated from the securities portfolio, while maintaining a “prudent investor standard” with regard to safety, liquidity and return on the original investments.

II. Background Information

1. Portfolio details are attached as Exhibit 1.
2. Investments of cash collateral must comply with the Treasurer's Investment Policy, which is attached as Exhibit 2.
3. The custodian is the Federal Reserve Bank.

III. Questions

Bidders must provide clear and concise responses that address the requested information set forth in herein.

A. Bidder's Organizational Information

If Bidder is a business entity that is comprised of more than one legal participant (limited partnership, joint venture, etc.), the Bidder must identify all participants involved, the respective ownership percentages, names, and summarize the role, degree of involvement and experience of each participant separately.

- 1) The legal name of the firm, headquarters, address, and its legal form (i.e. corporation, joint venture, limited partnership, etc.);
- 2) The names of its principals or partners and confirmation that the Bidder is authorized to conduct business in the State of Illinois;
- 3) The name, telephone number, facsimile number and E-mail address of the principal contact for verbal representations or negotiations and the same for the primary relationship manager;
- 4) The Bidder's commitment to provide the services as set forth in this RFP in accordance with the terms and conditions of any contract awarded pursuant to the RFP process.
- 5) The financial condition of Bidders is a primary concern for the Treasurer. All financial data, including data in an annual report must be in U.S. Dollars. Provide audited annual financial statements and related documentation for the last 3 full fiscal years and any available 2007 information or since the date of organization if less than 3 years old. The Bidder may provide the information on compact disc or reference a website that contains complete and accurate information.
- 6) Any additional information that could assist in the understanding of the Bidders financial status may be provided.
- 7) If the Bidder is not a publicly traded and reporting organization, Bidder must provide the equivalent information.
- 8) Provide a brief background and overview of your firm and number of employees (including number of offices in Illinois, the Midwest and the U.S).

B. General

- 1) Describe your securities lending program and its level of importance to your organization in the context of overall corporate strategy. How long has your firm been involved in securities lending?
- 2) Does your firm and program comply with the FDIC Statement of Policy on Securities Lending for the Federal Financial Institutions Examination Council (FFIEC) Supervisory Policy (required under 15 ILCS 520/22.5)?
- 3) What are the total capitalization and credit ratings of your organization?
- 4) Is your organization, its parent or affiliate a registered investment advisor with the SEC under the Investment Advisers Act of 1940? If not, what is your classification and what is your primary form of registration?
- 5) Provide biographies of the key individuals who manage and oversee your program. Include the biographies and areas of expertise for the following areas: Client Service, Lending Activity, Compliance and Reporting/Accounting. Indicate the number of years of securities lending experience for each person.
- 6) Provide an organizational chart that identifies the individuals by name, title and reporting structure.
- 7) Describe the relationship between senior management, trading, investment management, compliance, risk management and operations. Who has responsibility for oversight of the securities lending program?
- 8) Do you have an internal audit function? If so, please describe the procedures used by the department, including the types of audits performed and frequency of audits.
- 9) Is your program audited by an external entity? If so, by whom?
- 10) Does your program engage in “blind brokerage” transactions?
- 11) Are any aspects of your program outsourced to other firms/”finders”?
- 12) What are your current fixed income loan balances for proprietary portfolios and securities lending portfolios?
- 13) What ratio of your lendable client fixed income balances is on loan at this time? What is the ratio for each of the past five years?
- 14) Describe your programs allocation or queuing process and relevant entitlement methodology.
- 15) Should the objective of a securities lending program be to minimize the risk of loss or to maximize income? What are the risks involved with each?
- 16) Have your clients experienced any losses due to operational negligence, collateral reinvestment and/or security specific reinvestment default, and/or broker default since the inception of your securities lending program? What was the recourse provided to clients and the level of dialogue to explain (resolve) the issues?
- 17) Discuss a “third-party non-custodial” securities lending arrangement versus a

custodial securities lending arrangement. Indicate which arrangement your firm has experience with and what percentage of your revenues are derived from third-party versus custodial lending.

C. Credit Analysis

- 1) How many credit professionals does your program utilize? Are these credit professionals' involved in general day-to-day business activities for your firm or solely dedicated to securities lending?
- 2) Are credit limits set in conjunction with other areas of your organization? How are these limits enforced to avoid concentration risk?
- 3) How often are due diligence credit reviews of borrowers undertaken?
- 4) Provide an organization chart for your program and its credit function.
- 5) Describe your process for the approval of borrowers.
- 6) What is your total number of approved borrower relationships? Provide a list of your approved borrowers.
- 7) Who are your top ten borrowers? How much of your total loan balances is on loan to these borrowers?
- 8) Do you have an internal limit on how much of a client's lendable assets can be lent to a single borrower on any given day?
- 9) Do you perform formal credit analysis on cash collateral securities issuers?

D. Indemnification and ERISA

- 1) Describe your form of indemnification, disclosure and related representations against financial loss, borrower default and collateral default. Who provides the indemnity? What is the cost of this indemnification?
- 2) Do you offer indemnification on cash collateral investments or investment pools?
- 3) Describe your errors and omissions insurance coverage and any other insurance coverage your organization carries for securities lending agents. Who is the insurance provider?
- 4) Provide a sample securities lending agreement. Indicate where the indemnification clause is in the document.
- 5) Is your Program in compliance with all ERISA laws and regulations?

E. Program Description

- 1) Provide a description of a securities lending program using the portfolio attached as Exhibit 1.
- 2) Provide an estimate of the income for one year that would be generated by the portfolio attached as Exhibit 1. Please specify all assumptions used in calculating estimated income and show the following spreads: Total Investment Received, Rebate Rate Paid, Investment, Demand/Intrinsic.

- 3) Detail a transaction from loan initiation to the return of the loaned security.
- 4) What are our responsibilities if we sell a security?
- 5) What is your policy regarding maturity mismatching of collateral against the underlying maturity of securities on loan?
- 6) If “third party non-custodial”, discuss how you would coordinate and interface with the custodian.
- 7) Provide your total program historical annualized utilizations, spreads and ROA by asset class for the most recent calendar year.
- 8) Is cash collateral commingled in a pool with other clients? Please provide an investment policy for cash collateral and pooled investments.
- 9) Describe your procedures for selecting and monitoring cash collateral investments. What is the maximum weighted average maturity of cash collateral investment pools? Do you follow 2(a)7 guidelines for these pools?
- 10) Describe securities lending projects of comparable size, scope and magnitude, identifying both private and public sector clients. How many clients participate in your lending program? Please complete the table below as of June 30, 2007.

Plan Sponsor Type	No. of Clients	Lendable Base
Corporates		
Public		
Endowment and Foundations		
Taft-Hartley, Union		
Mutual Funds, Investment Manager's Commingled Funds		
Insurance Companies		
Others		
TOTAL		

- 11) Provide the number of clients gained and/or lost for the periods listed. Please state the reasons why clients have left your program.

Year	Clients Gained (Number)	Clients Lost (Number)
2007		
2006		
2005		
2004		

- 12) Do you stress test your securities lending program? Please describe the methodology and procedures utilized, including the frequency of testing.

F. Systems and Technology/Reporting/Recordkeeping

- 1) Discuss your internal recordkeeping system for securities lending.

- 2) Describe the hardware and software that you utilize for your securities lending program and for monitoring cash collateral? Who updates the program? What is distinct with your system that sets it apart from competitors? Include a description of your disaster recovery program.
- 3) Describe your information technology security measures overall and for accessing on-line reporting information.
- 4) Discuss your web-based reporting. Do your web-based reports contain static data as of the close of business the prior day?
- 5) Please provide detailed securities lending reports and include information applicable to GASB reporting. Be specific regarding GASB requirements.
- 6) What is the length of time for storing of historical information?
- 7) Detail the information contained in your firm's on-line securities lending reports.
- 8) Do you have the capability to customize and offer real time on-line reports?
- 9) Do you provide additional standard regular performance reports in hard copy and E-mail formats?

G. Lending Practices

- 1) Describe your securities lending process in detail.
- 2) Describe your strengths and differentiating factors in lending fixed income securities.
- 3) How do you determine which securities are lendable?
- 4) Discuss "intrinsic value". How do you determine the "intrinsic value" of fixed income securities that are on loan?
- 5) How often do you evaluate and mark to market the lending portfolio? Is each individual loan evaluated separately? How are excesses and deficiencies handled?
- 6) Describe your collateralization policy and process. What type of collateral is preferred and why?
- 7) How often are cash collateral pools or investments marked to market? How are excesses and deficiencies handled?
- 8) What is your policy regarding accepting letters of credit as collateral?
- 9) What securities are accepted as collateral for loans? If securities are provided as collateral, who has custody of the assets?
- 10) What is the maximum amount of securities that a client should have on loan, and what are the risks in this process? Are there trading restrictions for securities on loan? How is this related to your programs credit analysis function?
- 11) Describe your policy when a sale fail occurs because a security was out on loan. Do you have a policy applicable to repeat offenders for late delivery or failure to return borrowed securities?
- 12) Discuss the specific lending and reinvestment strategy associated with your

proposal. In the event that you determine a statutory amendment or a change in the Investment Policy is necessary or would aid in the implementation of a securities lending program, please specify your suggested changes. Please explain your reasons and rationale.

IV. Pricing

(Note: This information must be provided in a separate sealed and attached envelope.)

- 1) Specify whether your pricing proposal is for a custodial or a non-custodial lending arrangement.
- 2) What are the income splits for your securities lending program?
- 3) Are there any other management fees or additional expenses?
- 4) Affirmation in writing by a duly authorized representative that the pricing and fees set forth in this bid shall be in effect for the duration of any contract award as indicated in this RFP.

V. Proposal Format

1) Submissions

Responses must be submitted in a sealed envelope or package bearing the title, “State Treasurer Request for Proposal for Securities Lending (Custodial and Non-Custodial)” and Contractor’s name and address. All proposals shall be submitted in two parts. The first part shall cover all items except price and the second part shall cover price only (See Sections 4F and 5B below.). The package must include five (5) copies of the proposal. Additionally, all responses to questions in Section III must be provided in electronic format. A word document is attached to this RFP which contains all applicable questions and has space for your responses. Please provide a disk containing all required responses.

An authorized representative of Contractor must sign each proposal in ink. Any changes must be signed by the same person who signed the proposal unless another person has been given verified signature authority.

All proposals must be submitted within the prescribed form, as detailed in paragraph 4 below, to facilitate an objective review. Any proposal that materially deviates from this format will be rejected without further consideration of its content. Proposals that contain false or misleading statements, or provide references that do not support an attribute or condition claimed by the Contractor, may also be rejected.

Cover Letter

The Bidder’s authorized representative must sign the cover letter and submitted proposal. The proposal must be accompanied with a transmittal letter that designates

the name, address and phone number of the person or persons available for contact concerning the proposal, and those who are authorized to make representations on behalf of the Contractor's organization.

2) State Certifications and Disclosure Forms A & B

The Proposal must be accompanied by completed state procurement certifications and disclosure forms A & B, which are provided for at the end of this RFP. Failure to do so shall eliminate the bidder from consideration for this RFP.

3) Mandatory Content of Response to Request for Proposals:

- A. Cover letter;
- B. Specific explanations requested in Section III (in hard copy and electronic format – see above);
- C. Statements that the Contractor is willing to comply with the contractual requirements under Section F (please state each contractual requirement verbatim followed by a response explaining Contractor's ability to comply with each contract terms or a statement as to why Contractor cannot comply);
- D. Names of personnel expected to provide services under this RFP and their qualifications (resumes);
- E. Proposed pricing including all applicable fees. Alternative pricing formats such as performance-based pricing may also be submitted for consideration (**Note: All pricing information must be submitted in a sealed envelope and attached to the proposal.**);
- F. A minimum of three References from current and/or at least one former clients for which Contractor provides similar services;
- G. The signature of a person having the authority to commit the Contractor to a contract;
- H. State certifications and disclosure forms A & B.

VI. Proposal Process and Schedule

1. Proposal Due Date

All responses must be received no later than 2:00 p.m., August 31, 2007 to:

Mr. Edward Buckles
Chief Procurement Officer
Illinois State Treasurer's Office
300 West Jefferson Street
Springfield, Illinois 62702
Phone: (217) 782-6647
Fax: (217) 524-3822
E-mail Address: ebuckles@treasurer.state.il.us

2. Schedule

The following tentative schedule applies to this RFP:

August 8, 2007	RFP to be published on the Treasurer's Site www.treasurer.il.gov
August 18, 2007	RSVP Deadline for Mandatory Bidder's Conference
August 20, 2007	Mandatory Bidder's Conference
August 27, 2007	Deadline for Q&A Presented at Bidder's Conference
August 31, 2007	Responses Due – 2:00 p.m. Central Time
To be determined.	Negotiations and Contract Award
To be determined.	Services begin

3. Mandatory Bidder's Conference

Each Contractor who chooses to respond to this RFP must have a representative attend the Bidder's Conference. Each Contractor must fax or email a notice of their intent to participate to the attention of Tracy Rutter at (217)524-3822 or trutter@treasurer.state.il.us prior to 1p.m. on August 18, 2007. (Due to space constraints, please limit attendees to two per Contractor.)

Time: 10:30 a.m.
Date: August 20, 2007
Address: Capital City Center
130 W. Mason Street, Lower Level
Springfield, Illinois 62702

4. Discussions with Contractors

Contractors will be given a fair and equal opportunity to discuss their

proposals with the Treasurer's Office. Discussions may be held to promote an understanding of the Treasurer's requirements with respect to Contractors' proposals. In addition, discussions may be held to assist in arriving at a contract that is most advantageous to the State.

If during discussions there is a need for any substantial clarification of, or change in the Request for Proposal, it will be amended to incorporate the clarification or change. The Contractor must reduce any substantial oral clarification of a proposal to writing.

In conducting discussions, there will be no disclosure of information of proposals submitted.

5. Request to Modify or Withdraw Proposal

Contractor may make a written request to modify or withdraw its proposal at any time prior to opening; however, no oral modifications will be allowed. Such requests shall be addressed in the same manner as the proposal and plainly marked MODIFICATION TO PROPOSAL, with the Project Title shown, and if received by Treasurer prior to the scheduled closing time for reception of proposals, will be accepted. The original proposal will be modified after Treasurer receives the Modification.

6. Contractor's Proposal

The cost of developing a proposal is each Contractor's responsibility and may not be charged to the State. Once in the Treasurer's possession, proposals become the property of the State Treasurer and shall not be returned to Contractor.

7. Evaluation of Proposals

Treasurer's Office shall determine each proposal's compliance with the RFP requirements. Non-compliance proposals, those not meeting with the Mandatory Requirements, will be eliminated from consideration.

The Treasurer's Office will evaluate and score proposals on the basis of the following criteria:

- A. Ability to perform the required services, determined by general and specific experience in providing these services, a record of past performance of similar work, and the qualifications and training of proposed personnel;
- B. Plan for performing the services;
- C. Technical ability to provide the services during the term of the

contract, including the availability of personnel, equipment and facilities;

D. Pricing; and

E. References.

8. Site Visits

The Treasurer's Office may determine the need to make site visits to Contractors' offices to examine the adequacy of personnel, equipment and facilities. During a site visit Contractors may be asked to submit more detailed information regarding their responses to this RFP.

VII. Contractual Requirements

1. Contractual Responsibility

The Treasurer intends to select a Contractor to provide services as specified in this Request for Proposals. By responding to this Request for Proposal, Contractors agree to be substantially bound by the terms of this RFP, with only **minor** variance allowed. Any material deviations from the services requested herein must be specified in the Contractors' responses.

2. Illinois Law

Any agreement made in connection with this Request for Proposals is governed in all respects by the laws of the State of Illinois.

3. Tax Compliance

Contractor shall comply with applicable tax requirements and shall pay taxes in a timely manner.

4. Multi-Year Contracts Subject to Re-appropriation

All contracts entered into by the State of Illinois are subject to termination and cancellation in any year for which the General Assembly fails to make an appropriation to make payments under the terms of the contract.

5. Most Favored Terms

If more favorable terms are granted by the selected Contractor to any similar governmental agency in any state in a contemporaneous agreement let under the same or similar financial terms and circumstances for comparable services, the more favorable terms will be applicable under the contract agreement.

6. Records Retention

Contractor shall maintain, for a minimum of five (5) years after the termination of this Agreement, adequate books, records, and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with this Agreement; this Agreement and all books, records, and supporting documents related to this Agreement will be available for review and audit by the Auditor General and the Treasurer. Contractor agrees to cooperate fully with any audit conducted by the Auditor General or the Treasurer, and to provide full access to all relevant materials. Failure to maintain the books, records, and supporting documents required by this Section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under this

Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

7. Confidentiality and Security Requirements

The selected Contractor shall be prohibited from using or disclosing confidential information received while providing custodial services. Confidential information includes all information but the following; (i) information already known or independently developed by the recipient; (ii) information required to be released by law; (iii) information in the public domain through no wrongful act of the recipient; and (iv) information received by the recipient from a third party who was free to disclose it.

8. Indemnification

Contractor will be required to indemnify, save and hold harmless, the Treasurer, his officers, agents and employees against any liability, including costs and expenses, for violation of general, proprietary right, copyrights or rights of privacy of third parties arising out of the publications, translation, reproduction, delivery, use or disposition of any data furnished in response to this request, or based upon any libelous or any unlawful matter contained therein.

Contractor shall indemnify and hold the Treasurer harmless from and against any and all losses, including but not limited to losses due to the negligent acts or omissions, or willful acts of the Contractor, its employees, or agents. The Contractor has a duty to select, with due diligence, all other entities which shall be necessary to implement this Agreement. The Contractor shall establish and enforce reasonable procedures to assure the Treasurer of the performance by all other entities of the services necessary to implement this Agreement.

9. Subcontractors

Contractor may not use subcontractors to perform the duties as outlined in this RFP unless the subcontractor is approved, in advance, by the Treasurer. Approved subcontractors will be required to submit State Certifications and Disclosure forms A and B.

10. Assignment

Each term and provision of this Agreement is binding and enforceable against and inures to the benefit of any successors of the Treasurer and any successors of the Contractor, but neither this Agreement nor any of the rights, interests or obligations is assignable without the prior written consent of the other party.

Any attempt by the Contractor to transfer or assign any rights or obligations related to the provision of services under the Agreement, without the prior written consent of the Treasurer, shall render the Agreement voidable by the Treasurer.

The Treasurer may unilaterally bind any successor of the provider to the terms and conditions of any Agreement between the parties.

11. Termination for Cause/Reduction of Fee

Any Agreement or any part of an Agreement, entered into as a result of this Request for Proposals may be terminated by the Chief Procurement Officer with the approval of the Treasurer and subject to the determination of the Deputy Chief of Staff for Law and Policy under any of the following circumstances:

- A. The Contractor fails to furnish a satisfactory performance within the time specified.
- B. The Contractor fails to perform any of the provisions of this contract, or so fails to make progress as to endanger performance of this contract in accordance with its terms.
- C. There is sufficient evidence to show that fraud, collusion, conspiracy, or other unlawful means were used to obtain the contract.
- D. The Contractor is guilty of misrepresentation in connection with another contract for services to the State and cannot reasonably be depended upon to fulfill their obligations under this RFP with the Treasurer.
- E. The Contractor is adjudged bankrupt or enters into a general assignment for the benefit of their creditors or receivership due to insolvency.
- F. The Contractor disregards laws, ordinances, rules, and/or the reasonable instructions of a contracting officer or acts in violation of any provision of the contract, or the contract conflicts with any statutory or constitutional provision of the State of Illinois or of the United States.
- G. Any other breach of contract or other unlawful act by the Contractor occurs.

Prior to terminating the contract for cause, the Treasurer shall issue a written warning that outlines the remedial action necessary to bring the Contractor into conformance with the Agreement. If such remedial action is not completed to the satisfaction of the Treasurer within five business days, a second written warning may be issued. If satisfactory action is not taken by the Contractor within five

business days of the date of the second written warning, the Treasurer may cancel the Agreement and may recover any and all damages involved with the transition to a new Contractor including incidental and consequential damages. The Treasurer's failure to issue a warning or cancel this Agreement does not waive any of the Treasurer's rights to issue subsequent warnings.

In addition, the Treasurer reserves the right to reduce the compensation paid to the Contractor under the Agreement during any period the Contractor fails to perform with reasonable care any of its obligations under the Agreement.

12. Services

The Contractor may not modify any service or the manner of providing such service as required under this RFP and subsequent Agreement without the prior written authorization of the Treasurer. Modification means any change to an existing service or the addition of a new service.

13. Ownership

All documents produced by the Contractor under this Agreement shall become and remain the property of the Illinois State Treasurer.

14. Independent Status

Contractor is an independent contractor to the Treasurer. Neither the Contractor nor any persons employed by the Contractor may represent themselves as employees of the Treasurer or the State of Illinois.

STATE CERTIFICATIONS

following certifications: (“CONTRACTOR”) makes the

1.0 ANTI-BRIBERY.

CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under Section 1400.5010 of the Treasurer’s Procurement Rules (44 Ill. Adm. Code 1400.5010).

2.0 BID-RIGGING/BID-ROTATING.

CONTRACTOR certifies that it has not been barred from contracting with a unit of State or local government as a result of a violation of Section 33E-3 or 33E-4 of the Criminal Code of 1961 (720 ILCS 5/33E-3, 33E-4).

3.0 DRUG FREE WORKPLACE.

This certification is required by Section 3 of the Drug Free Workplace Act (30 ILCS 580/3). The Drug Free Workplace Act, effective January 1, 1992, requires that CONTRACTOR shall not be considered for the purposes of being awarded a contract for the procurement of any services from the State unless CONTRACTOR has certified to the State that CONTRACTOR will provide a drug free workplace. False certification or violation of the certification may result in sanctions including, but not limited to, suspension of contract payments, termination of the contract and debarment of contracting opportunities with the State for at least one (1) year but not more than five (5) years.

CONTRACTOR certifies and agrees that it will provide a drug free workplace by:

- a. Publishing a statement:
 - i. Notifying employees that the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance, including cannabis, is prohibited in the grantee’s or contractor’s workplace.
 - ii. Specifying the actions that will be taken against employees for violation of such prohibition.
 - iii. Notifying the employee that, as a condition of employment on such contract or grant, the employee will:
 - a. abide by the terms of the statement; and
 - b. notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction.
- b. Establishing a drug free awareness program to inform employees about:
 - i. the dangers of drug abuse in the workplace;
 - ii. CONTRACTOR’s policy of maintaining a drug free workplace;
 - iii. any available drug counseling, rehabilitation, and employee assistance programs; and
 - iv. the penalties that may be imposed upon an employee for drug violations.
- c. Providing a copy of the statement required by Section (a) to each employee engaging in

- the performance of the contract or grant and to post the statement in a prominent place in the workplace.
- d. Notifying the Treasurer's Office within ten (10) days after receiving notice under part (b) of paragraph (iii) of Section (a) above from an employee or otherwise receiving actual notice of such conviction.
 - e. Imposing a sanction on, or requiring the satisfactory participation in drug abuse assistance or rehabilitation program by, an employee who is so convicted, as required by Section 5 of the Drug Free Workplace Act.
 - f. Assisting employees in selecting a course of action in the event of drug counseling, treatment, and rehabilitation is required and indicating that a trained referral team is in place.
 - g. Making a good faith effort to continue to maintain a drug free workplace through implementation of the Drug Free Workplace Act.

4.0 U.S. EXPORT ACT.

CONTRACTOR certifies that neither CONTRACTOR nor any substantial-owned affiliated company is participating or shall participate in an international boycott in violation of the provisions of the U.S. Export Administration Act of 1979 (50 U.S.C.A. App. § 2401 et seq.) or the regulations of the U.S. Department of Commerce promulgated under that Act.

5.0 NON-DISCRIMINATION.

CONTRACTOR certifies that it is in compliance with the State and Federal Constitutions, the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, and all applicable rules that prohibit unlawful discrimination in performance of this Agreement and all other activities, including employment and other contracts. As a condition of receiving the Agreement, CONTRACTOR represents or certifies that services, programs and activities provided under the Agreement are and will continue to be in compliance with State and Federal Constitutions, the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, and all applicable laws that prohibit unlawful discrimination.

6.0 AMERICANS WITH DISABILITIES ACT.

CONTRACTOR certifies that it is in compliance with the Americans with Disabilities Act ("ADA") (42 U.S.C. 12101 et seq.) and the regulations thereunder (28 CFR 35.130) prohibit discrimination against persons with disabilities by the Treasurer, whether directly or through contractual arrangements, in the provision of any aid, benefit or service. As a condition of receiving the Agreement, CONTRACTOR represents or certifies that services, programs and activities provided under the Agreement are and will continue to be in compliance with the ADA.

7.0 ILLINOIS HUMAN RIGHTS ACT.

CONTRACTOR certifies that it is presently in compliance with all of the terms, conditions and provisions of Section 5/2-105 of the Illinois Human Rights Act (775 ILCS 5/2-105), together with all rules and regulations promulgated and adopted pursuant thereto.

8.0 FELONY.

CONTRACTOR certifies that it has not been barred from being awarded a contract under Section 1400.5015 of the Treasurer's Procurement Rules (44 Ill. Adm. Code 1400.5015).

9.0 FORMER EMPLOYMENT.

CONTRACTOR has informed the Treasurer's Office in writing if CONTRACTOR was formerly employed by the Treasurer's Office and has received an early retirement incentive under Section 14-108.3 or 16-133.3 of the Illinois Pension Code (30 ILCS 105/15a).

10.0 INDUCEMENT.

CONTRACTOR has not paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor has CONTRACTOR accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract (30 ILCS 500/50-25).

11.0 REVOLVING DOOR PROHIBITION.

CONTRACTOR certifies neither it or its employees and agents are in violation of the "Revolving Door" section of the Illinois Procurement Code (30 ILCS 500/50-30), which prohibits certain officers and their designees from engaging in procurement activities for a certain time period.

12.0 REPORTING ANTICOMPETITIVE PRACTICES.

CONTRACTOR shall report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anticompetitive practice among any bidders, offerors, contractors, proposers or employees of the State (30 ILCS 500/50-40, /50-45, /50-50).

13.0 DISCRIMINATORY CLUB.

CONTRACTOR agrees not to pay any dues or fees on behalf of its employees or agents or subsidize or otherwise reimburse them for payments of any dues or fees to a discriminating club as prohibited by Section 2 of the Discriminatory Club Act (775 ILCS 25/2).

14.0 TAXPAYER IDENTIFICATION NUMBER AND LEGAL STATUS OF CONTRACTOR.

CONTRACTOR shall be in compliance with applicable tax requirements and shall be current payment of such taxes. Under penalty of perjury, CONTRACTOR certifies that # _____ is its correct Taxpayer Identification Number and that it is doing business as a (please check one):

_____ Individual	_____ Real Estate Agent
_____ Partnership	_____ Government Entity
_____ Corporation	_____ Trust or Estate
_____ Sole Proprietorship	_____ Tax Exempt
Organization (IRS 501 as (a) only)	
_____ Not-for-Profit Corporation	_____ Medical and Health Care Services Provider Corporation

15.0 LICENSE.

CONTRACTOR, directly or through its employees, shall have and maintain any license required by this Agreement.

16.0 APPROPRIATION.

This Agreement is subject to termination and cancellation in any year for which the General Assembly fails to make an appropriation to make payments under the terms of the contract.

17.0 RECORDS RETENTION.

CONTRACTOR shall maintain, for as a minimum of three (3) years after the termination of this Agreement, adequate books, records, and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with this Agreement; this Agreement and all books, records, and supporting documents related to this Agreement shall be available for review and audit by the Auditor General and the Treasurer; CONTRACTOR agrees to cooperate fully with any audit conducted by the Auditor General or the Treasurer and to provide full access to all relevant materials. The three-(3)-year period shall be extended for the duration of any audit in progress during the term. Failure to maintain the books, records and supporting documents required by this Section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

18.0 CONFLICTS OF INTEREST.

CONTRACTOR has disclosed, and agrees that it is under a continuing obligation to disclose to the Treasurer financial or other interests (public or private, direct or indirect) that may be a potential conflict of interest that would prohibit CONTRACTOR from having or continuing the Agreement. Conflicts of interest include, but are not limited to, conflicts under Section 1400.5020 of the Treasurer's Procurement Rules (44 Ill. Adm. Code 1400.5020) and Section 50-30 of the Illinois Procurement Code (30 ILCS 500/50).

19.0 LATE PAYMENTS.

Late payment charges, if any, shall not exceed the formula established in the Illinois Prompt Payment Act (30 ILCS 540/1) and the Illinois Administrative Code (74 Ill. Adm. Code 900).

20.0 LIABILITY.

The State's liability for damages is expressly limited by and subject to the provisions of the Illinois Court of Claims Act (705 ILCS 505/1) and to the availability of suitable appropriations.

21.0 DEBT DELINQUENCY.

CONTRACTOR certifies that it is not barred from being awarded a contract under the Illinois Procurement Code (30 ILCS 500). Section 50-11 of the Illinois Procurement Code prohibits a person from entering into a contract with the Treasurer's Office if it knows or should know that it, or any affiliate, is delinquent in the payment of any debt to the State as defined by the Debt Collection Board. Section 50-12 of the Illinois Procurement Code prohibits a person from entering into a contract with a State agency if it, or any affiliate, has failed to collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with the provisions of the Illinois Use Tax Act. CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if

CONTRACTOR or any affiliate is determined to be delinquent in payment of any debt during the term of the Agreement.

22.0 EDUCATIONAL LOAN DEFAULT.

CONTRACTOR certifies that it is not barred from being awarded a contract under the Educational Loan Default Act (5 ILCS 385). Section 3 of the Educational Loan Default Act prohibits an individual from entering into a contract with the Treasurer's Office if that individual is in default of an educational loan. CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if CONTRACTOR is determined to be in default of an educational loan during the term of the Agreement.

23.0 Force Majeure.

Failure by either party to perform its duties and obligations shall be excused by unforeseeable circumstances beyond its reasonable control, including acts of nature, acts of the public enemy, riots, labor or material shortages, labor disputes, fire, flood, explosion, legislation, and governmental regulation.

24.0 ANTITRUST ASSIGNMENT.

CONTRACTOR hereby assigns, sells and transfers to the State of Illinois all right, title and interest in and to any claims and causes of action arising under antitrust laws of Illinois or the United States relating to the subject matter of the Agreement.

25.0 PROHIBITION OF GOODS FROM FORCED LABOR.

CONTRACTOR certifies that it is not barred from being awarded a contract under the State Prohibition of Goods from Forced Labor Act (30 ILCS 583). Section 10 of the State Prohibition of Goods from Forced Labor Act prohibits a contractor from entering into a contract with the Treasurer's Office if that contractor knew that the foreign-made equipment, materials, or supplies furnished to the State were produced in whole or part by forced labor, convict labor, or indentured labor under penal sanction. CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if CONTRACTOR is determined to have known that the foreign-made equipment, materials, or supplies furnished to the State during the term of the Agreement were produced in whole or part by forced labor, convict labor, or indentured labor under penal sanction.

26.0 PROHIBITION OF GOODS FROM CHILD LABOR.

CONTRACTOR certifies in accordance with Public Act 94-0264 that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12.

27.0 Sarbanes-Oxley Act and Illinois Securities Law.

CONTRACTOR certifies that it is not barred from being awarded a contract under the Illinois Procurement Code (30 ILCS 500). Section 50-10.5 of the Illinois Procurement Code prohibits a business from bidding or entering into a contract with the Treasurer's Office if the business or any officer, director, partner, or other managerial agent of the business has been convicted of a felony under the Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 for a period of five (5) years from the date of conviction.

CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if CONTRACTOR or any officer, director, partner, or other managerial agent of CONTRACTOR is determined to have been convicted of a felony under the Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 during the term of the Agreement.

28.0 Disputes.

Any claim against the State arising out of this Agreement must be filed exclusively with the Illinois Court of Claims (705 ILCS 505/1). The State shall not enter into binding arbitration to resolve any Agreement dispute. The State of Illinois does not waive sovereign immunity by entering into this Agreement. Any provision containing a citation to an Illinois statute (cited "ILCS") may not contain the complete statutory language. The official text, which is incorporated by reference, may be found in the appropriate chapter and section of the Illinois Compiled Statutes. An unofficial version may be viewed at www.legis.state.il.us.

29.0 Third-Party Payments.

CONTRACTOR certifies that no fee was paid to a third-party in expectation of being awarded a contract by the Treasurer.

30.0 Most Favorable Terms.

If more favorable terms are granted by the CONTRACTOR to any similar governmental agency in any state in a contemporaneous agreement let under the same or similar financial terms and circumstances for comparable supplies or services, the more favorable terms will be applicable under the Agreement between the Treasurer's Office and the CONTRACTOR.

CONTRACTOR: _____

SIGNATURE: _____

PRINTED NAME: _____

TITLE: _____

DATE: _____

PHONE NUMBER: _____

DISCLOSURES

FINANCIAL INTEREST AND POTENTIAL CONFLICTS OF INTEREST

(Disclosure Form A)

The Treasurer's Procurement Regulations (44 Ill. Adm. Code 1400.5035) require that contractors/offers desiring to enter into certain contracts with the State of Illinois must disclose the financial and potential conflicts of interest information as specified below.

Contractor/offers shall disclose the financial interest and potential conflicts of interest information identified in Sections 1 and 2 below as a condition of receiving an award or contract. Submit this information along with your bid, proposal or offer.

This requirement applies to contracts with an annual value exceeding \$10,000.

A publicly traded entity may submit its 10K disclosure in satisfaction of the disclosure requirements set forth in both Sections 1 and 2 below.

Sec. 1. Disclosure of Financial Interest in the Contractor/Offers

- a. If any individuals have one of the following financial interests in the contractor/offers (or its parent), please check all that apply and show their name and address:

Ownership exceeding 5%	()
Ownership value exceeding \$90,414.60	()
Distributive Income Share exceeding 5%	()
Distributive Income Share exceeding \$90,414.60	()

Name: _____

Address: _____

- b. For each individual named above, show the type of ownership/distributable income share: sole proprietorship _____ stock _____ partnership _____ other (explain) _____.

- c. For each individual named above, show the dollar value or proportionate share of the ownership interest in the contractor/offers (or its parent) as follows:

If the proportionate share of the named individual(s) in the ownership of the contractor/offers (or its parent) is 5% or less, and if the value of the ownership interest of the named individual(s) is \$90,414.60 or less, check here ()

If the proportionate share of ownership exceeds 5% or the value of the ownership interest exceeds \$90,414.60, show either.

The percent of ownership _____ %
or
The value of the ownership interest \$ _____

Sec. 2. Disclosure of Potential Conflicts of Interest. For each of the individuals having the level of financial interest identified in Section 1 above, check “Yes” or “No” to indicate which, if any, of the following potential conflicts of interest relationships apply. If “Yes,” please describe (use space under applicable section to explain your answers – attach additional pages as necessary).

- | | | | |
|----|--|--------------|-------------|
| a. | State employment, currently or in the previous 3 years, including contractual employment of services | Yes
_____ | No
_____ |
| b. | State employment for spouse, father, mother, son, or daughter, including contractual employment for services in the previous 2 years. | Yes
_____ | No
_____ |
| c. | Elective status; the holding of elective office of the State of Illinois, the government of the United States, any unit of local government authorized by the Constitution of the State of Illinois, or the statutes of the State of Illinois currently or in the previous 3 years. | Yes
_____ | No
_____ |
| d. | Relationship to anyone holding elective office currently or in the previous 2 years; spouse, father, mother, son, or daughter. | Yes
_____ | No
_____ |
| e. | Appointive office; the holding of any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office currently or in the previous 3 years. | Yes
_____ | No
_____ |
| f. | Relationship to anyone holding appointive office currently or in the previous 2 years; spouse, father, mother, son, or daughter. | Yes
_____ | No
_____ |
| g. | Employment, currently or in the previous 3 years, as or by any registered lobbyist of the State government. | Yes
_____ | No
_____ |
| h. | Relationship to anyone who is or was a registered lobbyist in the previous 2 years; spouse, father, mother, son, or daughter. | Yes
_____ | No
_____ |
| i. | Compensated employment, currently or in the previous 3 years, by any registered election or re-election committee registered with the Secretary of | Yes
_____ | No
_____ |

State or any county clerk in the State of Illinois, or any political action committee with either the Secretary of State or the Federal Board of Elections.

- | | | | |
|----|--|--------------|-------------|
| j. | Relationship to anyone; spouse, father, mother, son, or daughter, who is or was a compensated employee in the last 2 years of any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections. | Yes
_____ | No
_____ |
|----|--|--------------|-------------|

This disclosure is submitted on behalf of _____
(Name of Contractor/Offeror)

Official authorized to sign on behalf of contractor/offeror:

Name (printed) _____ Title _____

Signature _____ Date _____

DISCLOSURES
OTHER CONTRACT AND PROCUREMENT RELATED INFORMATION
(Disclosure Form B)

The Treasurer's Procurement Regulations (44 Ill. Adm. Code 1400.5035) require that contractors/offersors desiring to enter into certain contracts with the State of Illinois must disclose the information as specified below.

Contractor/offersor shall disclose the information identified below as a condition of receiving an award or contract.

This requirement is applicable to only those contracts with an annual value exceeding \$10,000.

You must submit this information along with your bid, proposal or offer.

- a. Contractor/offersor shall identify whether it has current contracts (including leases) with other units of State of Illinois government by checking "Yes" _____ or "No" _____.

If "Yes" is checked, identify each contract by showing agency name and other descriptive information such as purchase order or contract reference number (attach additional pages as necessary).

- b. Contractor/offersor shall identify whether it has pending contracts (including leases), bids, proposals, or other ongoing procurement relationships with other units of State of Illinois government by checking "Yes" _____ or "No" _____.

If "Yes" is checked, identify each such relationship by showing agency name and other descriptive information such as bid or project number (attach additional pages as necessary).

This disclosure is submitted on behalf of _____
(Name of Contractor/Offeror)

Official authorized to sign on behalf of contractor/offersor:

Name (printed) _____ Title _____

Signature _____ Date _____

FINANCIAL INTERESTS AND POTENTIAL CONFLICTS OF INTERESTS
STATEMENT
(Disclosure Form C)

Executive Order of the Treasurer 07-01 requires a Vendor desiring to enter into contracts with an aggregate value exceeding \$10,000, to be paid from appropriations or expenditure authority under the sole jurisdiction of the Treasurer, to disclose political contributions made by the Vendor to the Treasurer or to a political committee established to promote the candidacy of the Treasurer.

Vendor shall disclose the information identified below as a condition of receiving an award or contract. **Vendor shall submit a completed disclosure at the time of submittal of the bid, proposal, or offer in a sealed envelope addressed to the attention of David Wells, Executive Inspector General of the Treasurer, 300 West Jefferson, Springfield, Illinois 62702. Questions concerning Disclosure Form C may be directed to Executive Inspector General David Wells at (217) 557-1972.**

Definitions:

“Affiliated person” means any person with an ownership interest or distributive share of the bidding entity in excess of 5%, and executive employees of the bidding entity, and the spouse and minor children of any such persons.

“Affiliated entity” means any subsidiary of the bidding entity, any member of the same unitary business group or any political committee for which the bidding entity is the sponsoring entity as defined in the Election Code. (See definition of “sponsoring entity” below.)

“Member of the same unitary business group” means the same as that term is defined in the Illinois State Income Tax Code, 35 ILCS 5/1501(a)(2).

“Sponsoring entity” means (i) any person, political committee, organization, corporation, or association that contributes at least 33% of the total funding of the political committee or (ii) any person or other entity that is registered or is required to register under the Lobbyist Registration Act and contributes at least 33% of the total funding of the political committee.

“Vendor” means the bidder or offerer and any “affiliated person” or “affiliated entity” of the bidder or offerer.

Disclosure:

Vendor shall identify any and all persons with an ownership interest or distributive share of the bidding entity in excess of 5%, and any and all executive employees of the bidding entity, and the spouse and minor children of such persons.

Vendor shall identify any and all subsidiaries of the bidding entity, and any and all members of the same unitary business group as well as any political committee for which the bidding entity is the sponsoring entity.

Vendor shall identify whether within the previous two years it made political contributions required to be reported under Article 9 of the Election Code (10 ILCS 5/9) to the Treasurer or to a political committee established to promote the candidacy of the Treasurer by checking

YES ☐ or **NO** ☐.

If “yes” is checked, identify below each political contribution by listing the recipient of the contribution, the name and address of the contributor, and the dollar amount of the contribution. Attach additional pages as necessary.

Vendor certifies that the information herein is true and correct. The Undersigned affirms, under penalty of perjury, that he or she is authorized to execute this disclosure on behalf of the Vendor.

Printed Name of Vendor _____

Requisition/Contract Number

Signature of Authorized Representative

Date

Printed Name and Title

STATE TREASURER OF ILLINOIS
SECURITIES LENDING RFP

EXHIBITS

Exhibit 1 - State Portfolio Holdings

**Exhibit 2 – State Treasurer’s Investment Policy
For the State Portfolio**

EXHIBIT 1

PORTFOLIO HOLDINGS ILLINOIS STATE TREASURER STATE PORTFOLIO

State Treasurer's Security Portfolio
As of 7/31/2007

Codes for Call Types	
A = Annual	Q = Quarterly
S = Semi-Annual	C = Continuous
1X = 1 Time	

Securities Maximum Maturity Two Years

Type	CUSIP No.	Par Amount	Mat. Date	Coupon Rate	Yield	Next Call	Call Type
FNMA	31359MH22	\$ 5,000,000.00	08/09/07	5.000%	5.000%	n/a	n/a
FNMA	31359MH22	\$ 5,000,000.00	08/09/07	5.000%	5.000%	n/a	n/a
FHLB	3133X0A66	\$ 4,000,000.00	08/20/07	3.240%	3.240%	n/a	n/a
FHLB	3133XKQR9	\$ 25,000,000.00	11/01/07	5.250%	5.250%	n/a	n/a
FHLB	3133XKM51	\$ 25,000,000.00	11/02/07	5.250%	5.250%	n/a	n/a
FNMA	3136F7PQ4	\$ 5,000,000.00	12/27/07	5.000%	5.000%	n/a	n/a
FHLB	3133XJLK2	\$ 10,000,000.00	01/11/08	5.320%	5.320%	10/11/07	Q
FHLMC	3128X4YF2	\$ 5,000,000.00	01/28/08	5.000%	5.000%	10/28/07	Q
FHLB	3133XEFR5	\$ 10,000,000.00	01/28/08	5.000%	5.000%	10/28/07	Q
FHLMC	3128X4F48	\$ 5,000,000.00	02/08/08	5.000%	5.000%	n/a	n/a
FHLMC	3128X4F48	\$ 5,000,000.00	02/08/08	5.000%	5.000%	n/a	n/a
FNMA	31359MH71	\$ 5,000,000.00	02/22/08	5.100%	5.169%	n/a	n/a
FNMA	3136F7TH0	\$ 5,000,000.00	02/22/08	5.100%	5.167%	08/22/07	Q
FHLMC	3128X4M65	\$ 5,000,000.00	02/27/08	5.125%	5.178%	n/a	n/a
FHLMC	3128X4Z61	\$ 5,000,000.00	04/11/08	5.300%	5.459%	10/11/07	S
FHLB	3133XKVP7	\$ 25,000,000.00	05/15/08	5.300%	5.300%	11/15/07	1X
FHLB	3133XKX426	\$ 25,000,000.00	05/29/08	5.300%	5.300%	11/29/07	1X
FNMA	3136F6QS1	\$ 5,000,000.00	06/16/08	4.020%	4.020%	12/16/07	S
FHLB-STEI	31339Y4M1	\$ 5,000,000.00	07/16/08	3.750%	3.218%	10/16/07	Q
FHLB-STEI	31339YDY5	\$ 4,000,000.00	07/22/08	3.750%	3.263%	10/22/07	Q
FHLB-STEI	31339YQF2	\$ 5,000,000.00	07/30/08	4.000%	3.611%	10/30/07	Q
FHLB-STEI	31339YNU2	\$ 5,000,000.00	08/06/08	4.000%	3.558%	08/06/07	Q
FHLB-STEI	31339YYD8	\$ 10,000,000.00	08/13/08	4.000%	3.715%	08/13/07	Q
FHLB-STEI	31339YYD8	\$ 5,000,000.00	08/13/08	4.000%	3.743%	08/13/07	Q
FHLB-STEI	31339YWS7	\$ 4,000,000.00	08/14/08	4.250%	5.555%	08/14/07	Q
FHLB-STEI	3133X05V7	\$ 4,000,000.00	08/20/08	4.000%	5.373%	08/20/07	Q
FHLB-STEI	3133X9RU6	\$ 2,500,000.00	12/17/08	5.000%	5.631%	12/17/07	S
FHLMC	3128X5J90	\$ 10,000,000.00	03/05/09	5.500%	5.500%	09/05/07	Q
FNMA	31359M5S8	\$ 10,000,000.00	03/05/09	5.450%	5.450%	09/05/07	Q
FHLB	3133XKA70	\$ 10,000,000.00	03/19/09	5.500%	5.500%	09/19/07	Q
FNMA-STEI	3136F5JM4	\$ 4,745,000.00	03/23/09	3.500%	3.460%	n/a	n/a
FNMA	3136F5SZ5	\$ 5,000,000.00	05/05/09	5.000%	5.000%	n/a	n/a
FNMA-STEI	3136F5WV9	\$ 5,000,000.00	05/13/09	4.500%	6.298%	11/13/07	S
FNMA-STEI	3136F5WV9	\$ 5,000,000.00	05/13/09	4.500%	6.298%	11/13/07	S
FNMA-STEI	3136F5WV9	\$ 5,000,000.00	05/13/09	4.500%	6.298%	11/13/07	S
FNMA-STEI	3136F5WV9	\$ 5,000,000.00	05/13/09	4.500%	6.298%	11/13/07	S
FHLMC	3137EAAT6	\$ 25,000,000.00	06/11/09	5.000%	5.109%	n/a	n/a
FNMA	3128X6GQ3	\$ 25,000,000.00	07/16/09	5.500%	5.500%	01/16/08	S
TOTAL		\$ 333,245,000.00					

Securities Greater Than Two Years and Maximum Four Years Maturity

Type	CUSIP No.	Par Amount	Mat. Date	Coupon	Yield	Next Call	Call Type
				Rate			
FHLB	3133XKE35	\$ 10,000,000.00	10/5/2009	5.500%	5.500%	10/05/07	Q
FHLB	3133XKRZ0	\$ 25,000,000.00	11/9/2009	5.500%	5.500%	08/09/07	Q
FHLMC	3128X3V59	\$ 2,500,000.00	12/15/2009	4.450%	4.450%	12/15/07	S
FHLB-STEF	3133X9VJ6	\$ 5,000,000.00	12/28/2009	4.250%	5.195%	09/28/07	Q
FHLB-STEF	3133X9VJ6	\$ 2,500,000.00	12/28/2009	4.250%	5.195%	09/28/07	Q
FHLMC	3128X5B64	\$ 10,000,000.00	2/8/2010	5.550%	5.550%	08/08/07	Q
FHLMC	3137EAAP4	\$ 10,000,000.00	2/9/2010	4.875%	4.990%	n/a	n/a
FHLMC	3128X5D70	\$ 10,000,000.00	3/5/2010	5.500%	5.500%	09/05/07	Q
FHLB	3133XK7J8	\$ 10,000,000.00	3/19/2010	5.500%	5.500%	09/19/07	Q
FNMA	31359M6U2	\$ 10,000,000.00	3/29/2010	5.550%	5.550%	09/29/07	Q
FHLB	3133XKNA9	\$ 25,000,000.00	5/14/2010	5.550%	5.550%	08/15/07	Q
FNMA	31398AEE8	\$ 25,000,000.00	7/9/2010	5.500%	5.500%	01/09/09	1X
FHLMC	3128X4HN4	\$ 5,000,000.00	9/1/2010	5.000%	5.062%	N/A	N/A
FHLMC	3128X54A3	\$ 10,000,000.00	4/26/2011	5.500%	5.500%	10/26/07	Q
FHLMC	3128X6CS3	\$ 25,000,000.00	6/20/2011	5.625%	5.625%	06/20/08	S
TOTAL		\$ 185,000,000.00					

Securities Greater Than Four Years and Maximum Five Years Maturity

Type	CUSIP No.	Par Amount	Mat. Date	Coupon	Yield	Next Call	Call Type
				Rate			
FHLB	3133XK5A9	\$ 10,000,000.00	3/9/2012	5.700%	5.700%	08/09/07	M
FHLB	3133XJMR6	\$ 5,000,000.00	1/25/2012	5.750%	5.750%	10/25/07	Q
FHLB	3133XKKT1	\$ 25,000,000.00	4/27/2012	5.750%	5.750%	10/27/07	Q
FNMA	31398AAB8	\$ 25,000,000.00	4/30/2012	5.625%	5.625%	10/30/07	Q
FHLB	3133XKQ40	\$ 25,000,000.00	5/21/2012	5.625%	5.625%	11/21/07	Q
FHLMC	3128X5WH7	\$ 10,000,000.00	1/9/2012	5.550%	5.550%	01/09/08	A
FNMA	31359M4P5	\$ 10,000,000.00	1/23/2012	5.500%	5.500%	01/23/08	1X
FNMA	3136F8GZ2	\$ 10,000,000.00	3/20/2012	5.500%	5.500%	03/20/08	Q
FNMA	31359M7B3	\$ 10,000,000.00	4/9/2012	5.500%	5.500%	04/09/08	Q
FHLB	3133XKHA6	\$ 25,000,000.00	4/16/2012	5.500%	5.500%	04/16/08	A
FHLMC	3128X53M8	\$ 25,000,000.00	4/16/2012	5.550%	5.550%	04/16/08	Q
FHLMC	3128X53M8	\$ 25,000,000.00	4/16/2012	5.550%	5.550%	04/16/08	Q
FHLB	3133XKTD7	\$ 25,000,000.00	5/15/2012	5.500%	5.500%	05/15/08	Q
FHLMC	3128X5VF2	\$ 7,500,000.00	12/27/2011	5.400%	5.400%	06/27/08	Q
FNMA	31398ABC5	\$ 25,000,000.00	5/7/2012	5.300%	5.300%	11/07/08	1X
FNMA	31398ABC5	\$ 25,000,000.00	5/7/2012	5.300%	5.300%	11/07/08	1X
FHLB	3133XJUD8	\$ 10,000,000.00	2/9/2012	5.500%	5.500%	02/09/09	1X
FHLMC	3128X52N7	\$ 10,000,000.00	4/3/2012	5.250%	5.250%	04/03/09	1X
FHLMC	3128X52N7	\$ 25,000,000.00	4/3/2012	5.250%	5.286%	04/03/09	1X
FHLB	3133XLC43	\$ 25,000,000.00	6/11/2012	5.450%	5.450%	06/11/10	1x
FNMA	31398ABX9	\$ 25,000,000.00	5/18/2012	4.875%	5.056%	n/a	n/a
FNMA	31398ABX9	\$ 25,000,000.00	5/18/2012	4.875%	5.062%	n/a	n/a
TOTAL		\$ 407,500,000.00					

TOTAL ALL SECURITIES: \$ 925,745,000.00

EXHIBIT 2

INVESTMENT POLICY ILLINOIS STATE TREASURER STATE PORTFOLIO

Illinois State Treasurer's Investment Policy

1.0 POLICY:

Under this instrument, the Illinois State Treasurer's Investment Policy ("Policy"), it is the policy of the Treasurer of the State of Illinois ("Treasurer") to invest all funds under his control in a manner that provides the highest investment return using authorized instruments while meeting the State's daily cash flow demands in conformance with all state statutes governing the investment of public funds.

This Policy applies to all investments entered into on or after the adoption of this instrument. Until the expiration of investments made prior to the adoption of this Policy, such investments will continue to be governed by the policies in effect at the time such investments were made.

2.0 OBJECTIVE:

The primary objective in the investment of state funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the State, and providing the highest investment return using authorized instruments.

2.1 Safety:

The safety of principal is the foremost objective of the investment program. State investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 8.0 of this Policy, is required to ensure that the Treasurer prudently manages market, interest rate and credit risk.

2.2 Liquidity:

The investment portfolio shall remain sufficiently liquid to enable the State to meet all operating requirements that might be reasonably projected.

2.3 Return On Investment:

The investment portfolio shall be designed to obtain the highest available return, taking into account the Treasurer's investment risk constraints and cash flow needs. The Portfolio Manager shall seek to obtain the highest available return using authorized investments during budgetary and economic cycles as mandated in Section 1.0 of this Policy. When the Treasurer deposits funds in support of community development efforts, the rate of return shall include benefits other than direct investment income as authorized by Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

The rate of return achieved on the Treasurer's portfolio is measured at regular intervals against relevant industry benchmarks established by the Portfolio Manager,

with the advice and consent of the Investment Policy Committee(1), to determine the effectiveness of investment decisions in meeting investment goals.

1. The Investment Policy Committee is chaired by the Treasurer and includes the following members of the Treasurer's office staff: Chief of Staff, Deputy Chief of Staff/Chief Fiscal Officer, Deputy Chief of Staff for Law & Policy, , Inspector General, Chief Internal Auditor, Manager of Banking, Portfolio Manager, Manager of Accounting, Director of Illinois Funds, Deputy Director-Division of Economic Opportunity, Director of Legislative Affairs, Director of Economic Development, Program Director for Agriculture and Experience Illinois, Manager of Bright Start, Director of Unclaimed Property, and the Press Secretary.

3.0 ETHICS AND CONFLICTS OF INTEREST:

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions that conduct business within the State, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

4.0 AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS:

A list shall be maintained of approved financial institutions, which shall be utilized by authorized investment officers selecting institutions to provide investment services. No state funds may be deposited in any financial institution until investment officers have conducted a safety and soundness review of the financial institution by consulting IDC, Sheshunoff, and/or Veribanc bank rating services, unless the financial institution has not yet been rated by the bank rating services, in which case the institution may be eligible for a deposit that at maturity will not exceed \$100,000. The amount and duration of deposits shall be based on the safety and soundness review in accordance with guidelines established by the Investment Policy Committee and the diversification limits set forth in Section 8.0. No public deposit may be made except in a qualified public depository as defined by the Deposit of State Moneys Act (15 ILCS 520).

In addition, a list shall be maintained of approved security broker/dealers selected according to their creditworthiness, and their financial significance in the state, which shall be measured in terms of the location of the broker/dealer's corporate office, the number of full-time employees, the size of its payroll, or the extent that the broker/dealer has an economic presence in the state. The list may include "primary" dealers or regional dealers who qualify under Securities and Exchange Commission

Rule 240.15c3-1 (Net Capital Requirements for Brokers or Dealers).

All financial institutions and broker/dealers who want to qualify to bid for investment transactions shall initially, and on a periodic basis upon request, provide to the Treasurer's authorized investment officers the following, where applicable:

- Audited financial statements or a published Statement of Condition;
- Proof of minority/female/disabled broker status;
- A trading resolution;
- Proof of State of Illinois registration;
- Proof of registration with the Securities and Exchange Commission;
- Completed Broker/Dealer Questionnaire;
- Certification of notice and knowledge of this Policy;
- Published reports for brokers from rating agencies with investment grade ratings;
- Proof of emerging broker status; and
- Balance sheets from Consolidated Reports of Condition and Income (or the entire report when requested), Statements of Financial Condition, or Office of Thrift Supervision Financial Reports.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officers. More frequent reviews may be conducted if warranted.

To the extent that the Investment Policy Committee deems it advisable to hire external investment advisors, it may do so in accordance with the procurement rules at 44 Ill. Adm. Code 1400.

5.0 AUTHORIZED AND SUITABLE INVESTMENTS:

The Treasurer has authorized the following types of investments subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520) and the Public Funds Investment Act (30 ILCS 235):

- a) Securities that are guaranteed by the full faith and credit of the United States as to principal and interest;
- b) Obligations of agencies and instrumentalities of the United States as originally issued by the agencies and instrumentalities;
- c) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank as defined by Section 2 of the Illinois

- d) Banking Act (205 ILCS 5/2);
- e) Interest-bearing accounts or certificates of deposit of any savings and loan association incorporated under the laws of the State of Illinois, any other state, or the United States;
- f) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States, which maintains its principal office in the State of Illinois;
- g) Commercial paper of a corporation that is organized in the United States with assets exceeding \$500,000,000 and is rated by two or more standard rating services at a level that is at least as high as the following: A-1 by Standard & Poor's, P-1 by Moody's, F-1 by Fitch, D-1 by Duff & Phelps Credit Rating Company, A1 by IBCA, and TBW-1 by Thompson Bank Watch; and the corporation is not a forbidden entity, as defined in Section 22.6 of the Deposit of State Monies Act(effective Jan. 27, 2006);
- h) Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et seq.) and rated at the highest classification of at least one standard rating service;
- i) The Illinois Funds created under Section 17 of the State Treasurer Act (15 ILCS 505/17);
- j) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C.A. § 78o-5); and
- k) Obligations of National Mortgage Associations established by or under the National Housing Act (1201 U.S.C. 1701 et seq.).
- l) Securities of a foreign government, other than the Republic of Sudan (effective Jan. 27, 2006), that are guaranteed by the full faith and credit of that government as to principal and interest and rated A or higher by at least two of the standard rating services, but only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations.
- m) Investments made in accordance with the Technology Development Act (30 ILCS 265/1 et seq.).

Suitable securities in the Treasurer's portfolio may be lent in accordance with Federal Financial Institution Examination Council guidelines.

6.0 INVESTMENTS RESTRICTIONS:

- a) The following investments are prohibited:
 - i) Investments in derivative products;
 - ii) Leveraging of assets through reverse repurchase agreements;
 - iii) Direct investments in tri-party repurchase agreements.
- b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers meeting the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.
- c) Investments may not be made in any savings and loan association unless a commitment by the savings and loan association, executed by the president or chief executive officer of that association, is submitted in the form required by Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5).
- d) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act (effective Jan. 27, 2006)

7.0 COLLATERALIZATION:

All State deposits, repurchase agreements and securities lending shall be secured as required by the Treasurer (2) and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.

8.0 DIVERSIFICATION:

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of state assets, the portfolio shall not deviate from the following diversification guidelines unless specifically authorized by the Treasurer in writing:

- a) The Treasurer shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers;

- b) The investment portfolio shall not hold time deposits and/or term repurchase agreements that constitute more than 15% of any single financial institution's total deposits. Any deposits and/or repurchase agreements that constitute more than 10% of an institution's total deposits must qualify as community development deposits described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).
- c) No financial institution shall at any time hold more than \$100,000,000 of time deposits and/or term repurchase agreements other than community development deposits described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7). Provided, however, that:

2. The Treasurer maintains a list of acceptable collateral.

- i. Financial institutions holding deposits that exceed \$100,000,000.00 on the date that this Policy is adopted, shall continue to be eligible to hold deposits that do not exceed the amount of deposits held on that date.
 - ii. Financial institutions that, as a result of a merger or acquisition, hold deposits that exceed \$100,000,000.00 may continue to be eligible to hold deposits that do not exceed the amount of deposits held on the date of the merger or acquisition.
- d) The investment portfolio shall not contain investments that exceed the following diversification limits that apply to the total assets in the portfolio at the time of the origination or purchase, as monitored on a daily basis and as maturity of instruments occur, and as adjusted as appropriate:
 - i. With the exception of cash equivalents, treasury securities and time deposits, as defined in Section 5.0 of this Policy, no more than 35% of the portfolio shall be invested in other investment categories,
 - ii. No more than one-third of the investment portfolio shall be invested in commercial paper,
 - iii. As much as 40% of the portfolio may be invested in time deposits when required by the cash flow of the State,
 - iv. No more than ½ of 1% of the investment portfolio shall be invested in Foreign Government Securities, not to exceed a five year maturity, as defined in Section 5.0(k) of this Policy,
 - v. No more than 10% of the investment portfolio shall be allocated to investments with a 2-4 year maturity band,
 - vi. No more than 5% of the investment portfolio shall be allocated to investments with a 4-5 year maturity band (not including Foreign Government Securities).

- e) The Treasurer shall invest the majority of state funds in authorized investments of less than one-year maturity. There shall be no limit to the amount of investment portfolio allocated to investments with a 0-2 year maturity band.

9.0 CUSTODY AND SAFEKEEPING:

The custody and safekeeping of collateral will be handled by Illinois financial institutions selected pursuant to a competitive selection process in compliance with the Treasurer's office procurement rules at 44 Ill. Adm. Code 1400. Financial institutions selected by the Treasurer's office to perform custody and safekeeping services will be required to enter into a contractual agreement approved by the Chief Legal Counsel.

All security transactions entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities shall be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts.

10.0 INTERNAL CONTROLS:

The Treasurer, as the Chief Investment Officer and with the assistance of the Investment Policy Committee, shall establish a system of internal controls and written operational procedures that shall be documented and filed with Treasurer's Inspector General for review. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

a) Asset Allocation: The allocation of assets within investment categories authorized under Section 5.0 of this Policy shall be approved by the Treasurer in writing.

b) Competitive Bidding: Authorized investment officers shall obtain competitive bids from at least three (3) broker/dealers prior to executing the purchase or sale of any authorized investments.

Certificates of deposit shall be purchased by authorized investment officers on the basis of a qualified financial institution's ability to pay a required rate of interest to the Treasurer, which is established on a daily basis. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

11.0 LIMITATION OF LIABILITY:

The standard of prudence to be used by authorized investment officers shall be the

"prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized investment officers acting in accordance with written procedures and this Policy and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

12.0 REPORTING:

Quarterly reports are presented by the Chief Financial Officer to the Investment Policy Committee, chaired by the Treasurer, for its review. The quarterly report shall contain sufficient information to enable the Investment Policy Committee to review the investment portfolio, its effectiveness in meeting the needs of the Treasurer's office for safety, liquidity, rate of return, and diversification, and the general performance of the portfolio. The following information shall be included in the quarterly reports:

- a) Performance as compared to established benchmarks;
- b) Asset allocation;
- c) Any circumstances resulting in a deviation from the standards established in Section 9.0 of this Policy;
- d) Impact of any material change in investment policy adopted during the quarter;
- e) The average days to maturity;
- f) A listing of all investments in the portfolio by class or type marked to market value; and
- g) The income earned from the investments as of the report date.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of this Investment Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

The Treasurer reserves the right to amend this Policy at any time upon the advice and consent of the Investment Policy Committee.